

MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

ECONOMIC HIGHLIGHTS



- The advance estimate for **inflation-adjusted Gross Domestic Product (GDP)** indicated an annual growth rate of 3.8% in the third quarter of 2005, compared with 3.3% during the second quarter. Growth was higher in the third quarter because rapid growth in consumption, particularly for services and motor vehicles, more than offset the negative effects of declining inventories and flat exports. The growth in consumption exceeded growth in disposable personal income, which reduced the personal saving rate from 0.1% in the second quarter to -1.1% in the third quarter. The third-quarter rate is the only negative observation in the data series, which dates from 1947, and is down from averages in the 5.0% range during the mid-1990s and double-digit rates during the early 1980s.
- **Housing starts** grew again in September, rising 3.4% above the August level, and were 10.3% above the elevated levels in September 2004. However, virtually all of the increase was in the south, primarily reflecting activity related to hurricanes in 2004 and 2005. All other regions reported slight increases in single-unit starts and essentially flat performance in total starts.
- The U.S. **Consumer Price Index (CPI)** grew at a seasonally adjusted annual rate of 15.7% in September compared with August, reflecting the third consecutive month of sharp increases in the energy component of the index. The 12.0% increase in the energy component accounted for more than 90.0% of the rise in the overall index.
- **Motor vehicle sales** slowed again, with September sales 2.3% below the August level and 5.7% below September 2004. As in August, lower sales reflected weakness in the light truck market, where sales fell 6.9% between August and September and were 16.5% below year ago levels.



- Michigan's **unemployment rate** fell again in September, marking the first time the unemployment rate has fallen two months in a row since August 2002. The unemployment rate averaged 6.4% during September, compared with 6.7% in August, as total employment grew by 36,000 jobs. Employment was 73,000 jobs, or 1.5%, above the year-ago level. September marked the first time since February 2000 that for two months in a row the unemployment rate declined in a month that also experienced employment growth.
- In September, Michigan's **wage and salary employment** was slightly higher than in August in most sectors, with the 8,000-job increase in manufacturing leading all major sectors. The trade, transportation and utilities sector exhibited the weakest performance, with a decline of 8,000 jobs. However, employment in most sectors remained at or below year-ago levels, with manufacturing employment still 23,000 jobs below the September 2004 level.
- **Personal income** in Michigan grew 1.4% between the first and second quarters of 2005, ranking 39th among the 50 states. The sectors contributing most to the growth included real estate, manufacturing, and professional/technical services.



SEPTEMBER 2005

Prepared by:
David Zin
Economist

U.S. & MICHIGAN LABOR MARKET NEWS
(Seasonally adjusted, thousands)

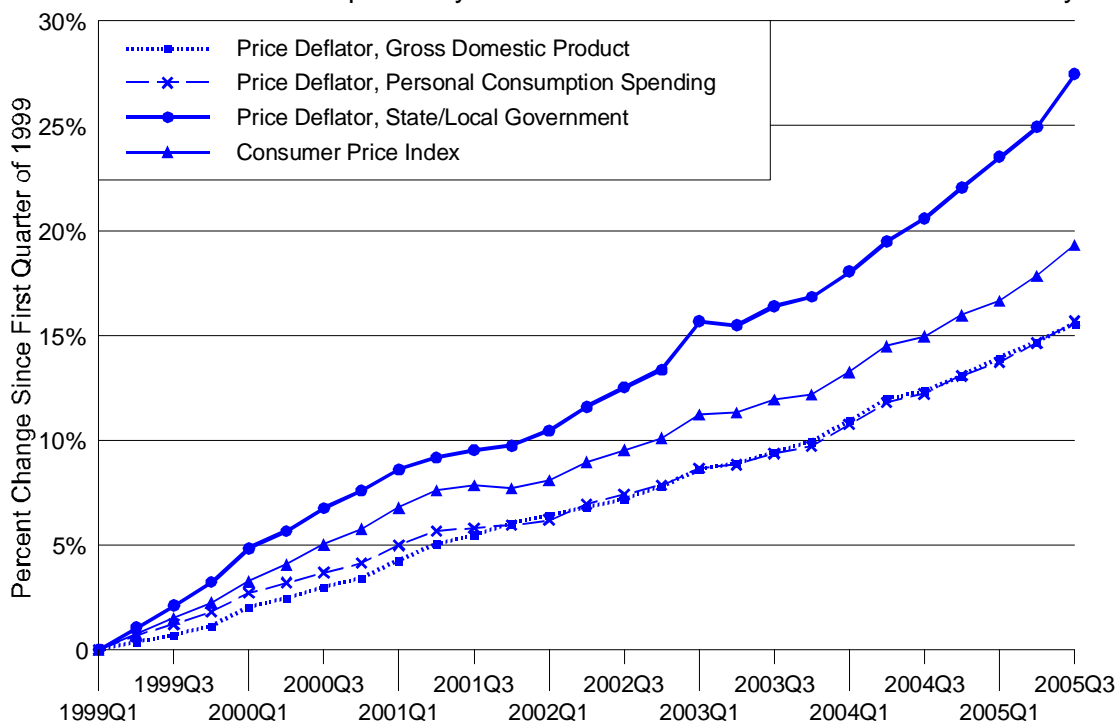
U.S.	Sept. 2005	Aug. 2005	Sept. 2004	Change from August		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	150,093	149,841	147,531	252	0.2%	2,562	1.7%
Employment	142,432	142,449	139,527	(17)	(0.0)	2,905	2.1
Unemployment	7,661	7,391	8,005	270	3.7	(344)	(4.3)
Unemployment Rate	5.1%	4.9%	5.4%	---	---	---	---

Michigan	Sept. 2005	Aug. 2005	Sept. 2004	Change from August		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,126	5,106	5,086	20	0.4%	40	0.8%
Employment	4,798	4,762	4,725	36	0.8	73	1.5
Unemployment	328	345	361	(17)	(4.8)	(33)	(9.2)
Unemployment Rate	6.4%	6.7%	7.1%	---	---	---	---

Source: Bureau of Labor Statistics, U.S. Department of Labor

Inflation Rising Faster for State and Local Governments

Inflation for Gov. Not Captured by Consumer Market Basket or General Economy



Source: Bureau of Labor Statistics and Bureau of Economic Analysis

MICHIGAN WAGE AND SALARY EMPLOYMENT (Seasonally adjusted, thousands)							
	Sept. 2005*	Aug. 2005	Sept. 2004	<u>Change from August</u>		<u>Change from Yr Ago</u>	
				Number	Percent	Number	Percent
Total Nonagricultural Jobs	4,361	4,353	4,399	8	0%	(38)	(1)%
Goods Producing Industries	868	861	894	8	1	(26)	(3)
Natural Resources & Mining	8	8	8	(0)	(1)	0	4
Construction	187	187	191	0	0	(3)	(2)
Manufacturing	673	665	696	8	1	(23)	(3)
Transportation Equipment	242	233	259	10	4	(16)	(6)
Service Producing Industries	3,493	3,492	3,505	1	0	(12)	(0)
Trade, Transportation & Utilities	800	807	810	(8)	(1)	(10)	(1)
Information	64	65	67	(1)	(1)	(4)	(5)
Financial Activities	219	219	218	(0)	(0)	0	0
Professional & Business Services	584	582	589	2	0	(6)	(1)
Education & Health Services	561	558	552	3	0	9	2
Leisure & Hospitality Services	407	406	405	0	0	2	1
Other Services	181	180	179	0	0	2	1
Government	679	675	685	4	1	(5)	(1)

Source: Bureau of Labor Statistics, U.S. Department of Labor

* Preliminary

MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS						
Industry	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	Sept. 2005	Year Ago	Percent Change	Sept. 2005	Year Ago	Percent Change
Construction	38.6	38.2	1.0%	\$863.10	\$834.67	3.4%
Manufacturing	42.4	42.7	(0.7)	914.99	933.85	(2.0)
Durable Goods	43.2	43.6	(0.9)	1,000.51	1,020.68	(2.0)
Motor Vehicle Manufacturing	46.4	44.5	4.3	1,434.69	1,384.84	3.6
Motor Vehicle Parts Manufacturing	42.5	45.5	(6.6)	1,175.98	1,261.26	(6.8)
Nondurable Goods	39.2	39.4	(0.5)	589.18	594.55	(0.9)
Wholesale Trade	37.5	35.9	4.5	702.75	671.33	4.7
Retail Trade	30.8	30.1	2.3	364.98	345.25	5.7
Grocery Stores	26.4	26.3	0.4	224.40	231.97	(3.3)
General Merchandise Stores	31.2	30.2	3.3	324.17	311.66	4.0
Information	35.2	36.5	(3.6)	668.45	653.35	2.3
Financial Activities	34.0	33.6	1.2	584.46	536.59	8.9
Prof. & Business Services	34.6	35.1	(1.4)	604.46	621.97	(2.8)
Health Care & Social Assistance	34.1	35.5	(3.9)	560.60	570.49	(1.7)
Leisure & Hospitality	23.0	23.1	(0.4)	192.51	189.65	1.5
Auto. Repair & Maintenance	36.4	35.7	2.0	521.61	555.49	(6.1)
Personal & Laundry Services	26.1	25.1	4.0	294.41	314.50	(6.4)

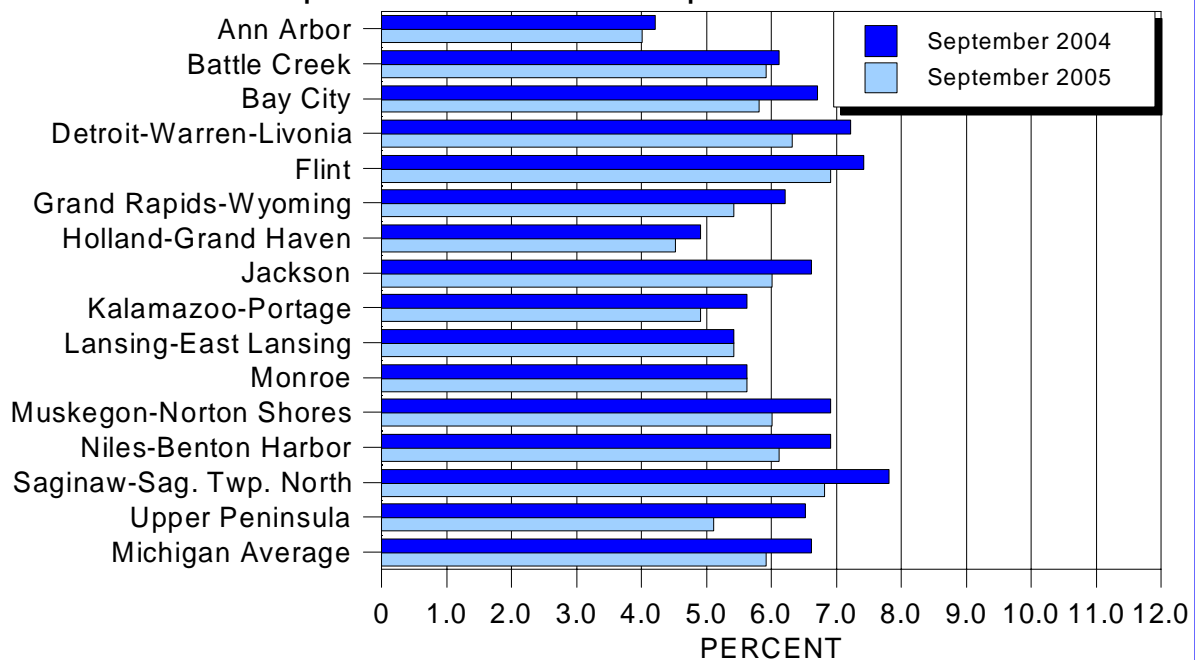
Source: Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS
(Not Adjusted for Seasonal Variations)**

	Sept. 2005*	Aug. 2005	July 2005	Sept. 2004
Metropolitan Statistical Areas				
Ann Arbor	4.0%	4.1%	4.8%	4.2%
Battle Creek	5.9	5.8	7.4	6.1
Bay City	5.8	6.0	7.4	6.7
Detroit-Warren-Livonia	6.3	7.0	8.1	7.2
Flint	6.9	7.3	9.5	7.4
Grand Rapids-Wyoming	5.4	5.5	6.8	6.2
Holland-Grand Haven	4.5	4.5	5.9	4.9
Jackson	6.0	6.2	7.4	6.6
Kalamazoo-Portage	4.9	5.0	6.3	5.6
Lansing-East Lansing	5.4	5.5	7.0	5.4
Monroe	5.6	6.0	7.7	5.6
Muskegon-Norton Shores	6.0	6.2	8.0	6.9
Niles-Benton Harbor	6.1	6.4	7.8	6.9
Saginaw-Saginaw Twp North	6.8	6.9	8.7	7.8
Multi-County Areas				
Northeast Lower Michigan	5.8	6.0	7.4	6.5
Northwest Lower Michigan	5.1	5.1	6.2	5.7
Upper Peninsula	5.1	5.4	6.2	5.5
Michigan Statewide Average				
-- Unadjusted (comparable to figures shown above)	5.9	6.3	7.6	6.6
Source: Michigan Department of Labor and Economic Growth				*Preliminary

Michigan Regional Unemployment Rates

September 2004 and September 2005

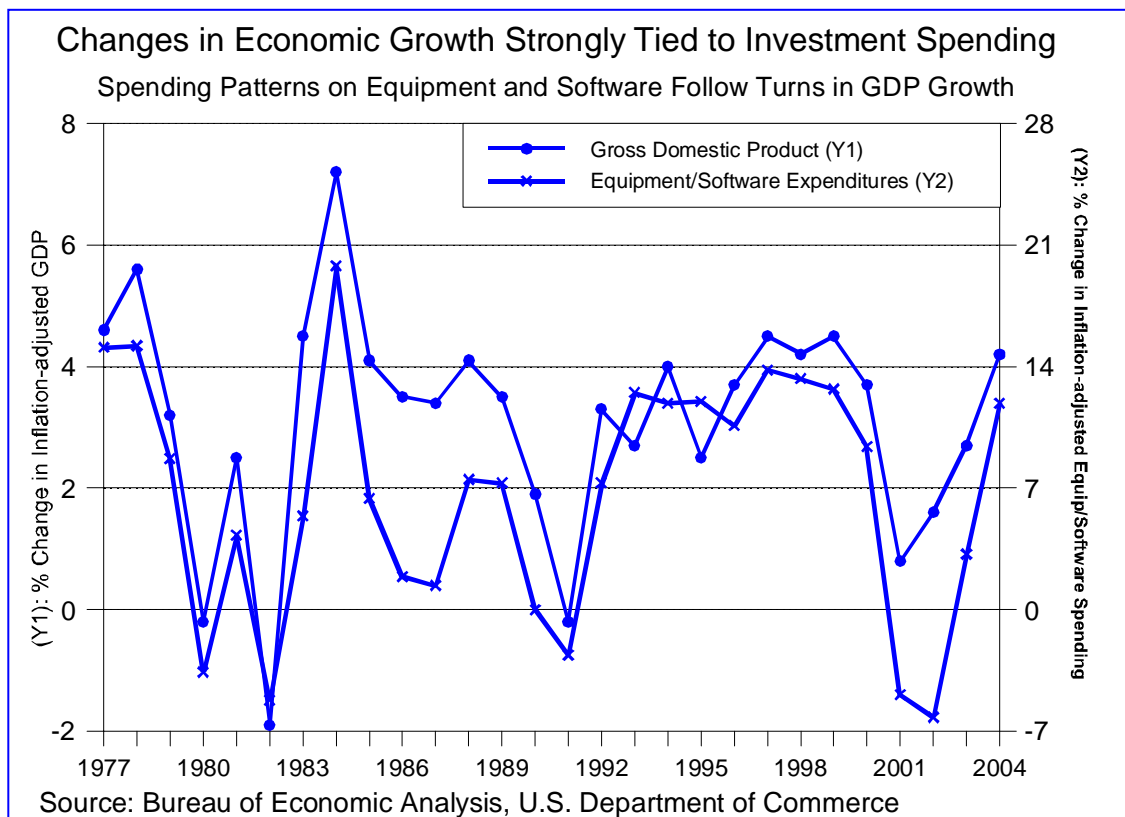


Source: Michigan Department of Labor and Economic Growth

MOTOR VEHICLE SALES AND PRODUCTION STATISTICS (Thousands of Units)

	Sept. 2005	Aug. 2005	July 2005	June 2005	Year Ago Sept.	Percent Change From:	
						Sept./Aug .	Sept. 2005/ Sept. 2004
Motor Vehicle Sales^{1,2)} (thousands of units, SAAR)							
Autos	7,990	7,783	8,088	7,470	7,410	2.7%	7.8%
Domestics	5,734	5,592	5,728	5,248	5,298	2.5	8.2
Imports	2,256	2,191	2,360	2,222	2,112	3.0	6.8
Import Share	28.2%	28.2%	29.2%	29.7%	28.5%	---	---
Light Trucks	8,352	8,968	12,588	10,348	10,005	(6.9)	(16.5)
Domestics	7,267	7,762	11,256	9,083	8,775	(6.4)	(17.2)
Imports	1,085	1,206	1,332	1,265	1,230	(10.0)	(11.8)
Import Share	13.0%	13.4%	10.6%	12.2%	12.3%	---	---
Heavy Trucks	501	488	516	505	446	2.7	12.3
Total	16,843	17,239	21,192	18,323	17,861	(2.3)	(5.7)
U.S. Motor Vehicle Production^{1,2)} (millions of units, SAAR)							
Autos	4,352	4,302	4,312	4,374	4,300	1.2	1.2
Michigan Motor Vehicle Production^{2,3)} (thousands of units, SAAR)							
Autos	1,146	1,166	1,030	1,212	1,234	(1.7)	(7.1)
Trucks	1,449	1,101	1,363	1,339	1,484	31.6	(2.4)
Total	2,595	2,267	2,393	2,551	2,719	14.5	(4.5)
Michigan Production as % of U.S.	17.8%	17.8%	16.0%	21.7%	19.9%	---	---
U.S. Motor Vehicle Inventories⁴⁾							
Total Car	1,146	1,162	1,200	1,411	1,449	(1.4)	(20.9)
Days Supply	42	42	42	50	58	0.0	(27.6)
Total Truck	1,948	1,794	1,752	2,330	2,233	8.6	(12.8)
Days Supply	74	61	43	64	69	21.3	7.2

Sources: 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)



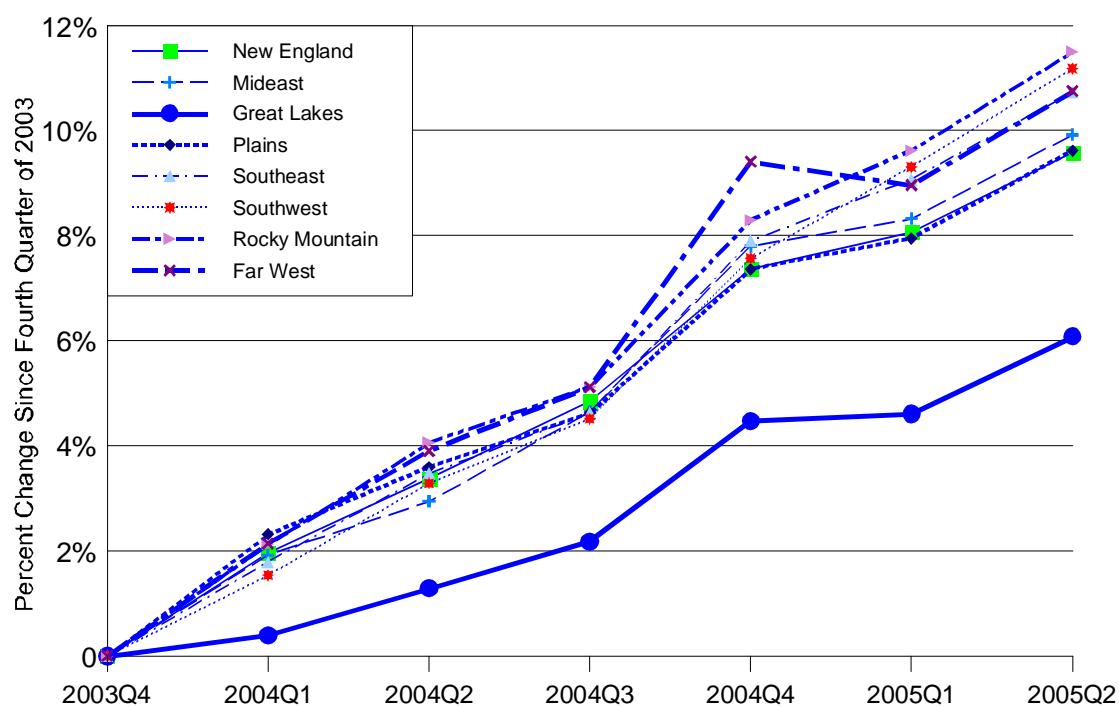
OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
Weekly Leading Index , monthly ¹⁾ (1992=100)	Sept.	134.2	135.0	131.1	(0.6)%	2.4%
Coincident Index ¹⁾ (1992=100)	Sept.	146.9	147.2	142.8	(0.2)	2.9
Housing Starts, U.S. ²⁾ (thousands of units, SAAR)	Sept.	2,108	2,038	1,912	3.4	10.3
Retail Sales, U.S. ²⁾ (billions, seasonally adjusted)	Sept.	\$317.6	\$316.8	\$297.7	0.2	6.7
Industrial Production Index 3) (1997=100, seasonally adjusted)	Sept.	118.0	119.6	115.7	(1.3)	2.0
Capacity Utilization ³⁾ (% of total capacity, seasonally adjusted)	Sept.	78.6	79.8	78.0	(1.4)	0.8
Consumer Price Index ⁴⁾ (1982-84=100)						
U.S. (seasonally adjusted)	Sept.	198.5	196.1	189.6	15.7	4.7
Detroit (not seasonally adjusted)	Aug.	192.2	189.6	186.8	8.5	2.9
Interest Rates						
3-month Treasury Bill ³⁾	Sept.	3.47%	3.45%	1.65%	---	---
Corporate Aaa Bonds ³⁾	Sept.	5.13%	5.09%	5.46%	---	---
Real Gross Domestic Product ⁵⁾ (billions of 2000 \$, SAAR, Chain-Weighted)	2005 3rd Qtr.	\$11,193.2	\$11,089.2	\$10,808.9	3.8	3.6
Michigan Tax Collections ⁶⁾ (12 major taxes, millions)	Sept. 2005	\$2,056.0	\$1,784.5	\$1,910.9	NM	7.6

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.
Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.
*Note: Percent changes from previous period for CPI and GDP at annual rate.

Sources: 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

Great Lakes Personal Income out of Sync with the Rest of the U.S.
First Quarters of 2004 & 2005 Created Persistent Deviations



Source: Bureau of Economic Analysis, U.S. Department of Commerce